

Commodity Spotlight



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"Green" Industry Grower Receipts To Exceed \$11 Billion

The U.S. leads the world in the production and marketing of flowers, cut foliage, potted plants, bedding plants and other nursery crops, and turfgrass—known collectively as the "green" industry. U.S. growers' cash receipts for these products are projected to reach \$11.3 billion in 1997, an increase of more than 8 percent over last year. U.S. consumers, businesses, and institutions are expected to spend an estimated \$53 billion for these products, including the value of closely associated accessories and services, in 1997.

The *floriculture sector* of the industry includes crops such as cut flowers, cut cultivated greens, potted flowering plants, potted foliage plants, and bedding and garden plants. Preliminary estimates for grower cash receipts in the floriculture production sector in 1996 is \$4 billion, up 3 percent over 1995. The 1997 outlook is for an additional increase of 2 percent.

With the exception of bedding and garden plants, which are used by consumers and businesses to beautify outdoor environ-

ments such as landscapes, gardens, and patios, floriculture crops are generally for indoor use. They are grown mostly in glass or plastic greenhouses or in semi-protected environments such as shade houses, although they may also be grown outdoors—in the South and West where climates are temperate, and in more northern climates in periods of warm weather.

The *environmental horticulture sector* includes crops generally grown outdoors and used primarily for landscaping purposes. This sector includes a broad category of nursery crops such as trees, shrubs, ground covers, turfgrass or sod, bulbs, and planting stock (trees or plants used by commercial fruit and vegetable growers, as well as seedlings grown for conservation or commercial purposes, including Christmas trees). Grower receipts for 1996 in the environmental horticulture production sector are estimated at \$6.9 billion, a 6-percent increase over the previous year, with expectations of a further increase of 7 percent in 1997.

Cut Flowers Drive Import Growth

The U.S. is a net importer of green products. While retail expenditures for green products are climbing moderately higher every year, growth in domestic grower receipts, especially in the floriculture sector, has slowed in recent years, in part because of increasing imports.

The value of domestic production for floral and potted plants has grown only modestly over the past decade, compared with the value of imports, which have risen sharply over the same period. Since 1994, the value of imports at port of entry has increased about \$100 million every year, driven primarily by cut flowers. Imports of floral and potted plant products reached \$700 million in 1996. Other imported greenhouse and nursery products added about \$250 million in value in 1996. For 1997, the total import value of all floriculture and environmental horticulture products is expected easily to exceed \$1 billion.

Exports this year will likely reach \$250 million, only one-fourth of the expected value of imports. Although U.S. exports have been steadily increasing, especially

to Canada, Europe, and Asia, they are not expected to climb rapidly, nor will they approach the value of imports in the near future.

The U.S. imports potted flowering plants (mostly from Canada), foliage plants (Canada, Mexico, Puerto Rico, Jamaica, and other Caribbean and Latin American countries), cut greens (Mexico, Guatemala), and nursery crops (bulbs from Holland, cuttings and young plants from Israel, Europe, and Western Hemisphere sources). However, imports are predominantly cut flowers. Over 3 billion stems of cut flowers are imported annually from 45 countries, though most are from Latin America (primarily Colombia, Ecuador, Mexico, and Costa Rica) and from Europe (primarily the Netherlands, which resells from a number of countries). After a decline in 1995, U.S. cut flower imports increased again in 1996 and are continuing to trend upward in 1997.

About 78 percent of the cut flowers for the U.S. market pass through Miami, most from Colombia. Colombia ships nearly all its cut flower production through Miami International Airport (MIA). Most of the product remains in the U.S., but some is transshipped to Canadian and European markets. MIA is currently the world's second busiest cargo airport, and the largest single product it handles is cut flowers. On an average day, 30,000 boxes of flowers arrive at Miami's airport.

The quantity of cut flower imports decreased in 1995, due primarily to a U.S. anti-dumping action against Colombia. Although that action was rescinded in early 1996, growth in Colombian imports has slowed considerably in the wake of decertification of Colombia's trade preference status (a result of the Andean Nations Trade Agreement), as well as a freeze imposed on flight frequency and cargo capacity out of Colombia into the U.S. in early 1996.

The growth slowdown caused a rise in U.S. domestic grower prices for some major varieties of cut flowers in 1996. However, U.S. growers did not anticipate the market, and overall they cut production area and sold fewer flowers last year based on expectations of continued

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growth in import competition similar to previous years.

Generally, U.S. growers' intentions for 1997 indicate a further decline in production area devoted to cut flowers. Other countries are filling part of the gap left by Colombia for some varieties, especially Ecuador with shipments of roses.

Landscape Product Sales Top Floriculture Spending

Last year consumers spent about \$8.2 billion on cut flowers and cut greens (\$31 per capita), a 9-percent increase over 1995. Cut flower and cut greens expenditures this year are anticipated to rise 6 percent. Expenditures for potted plants (flowering and foliage) in 1996, on the other hand, were up only 2 percent from the prior year, to \$7 billion (\$26 per capita). Consumers purchased more foliage plants last year, but flowering plant sales, also up slightly, remained ahead of foliage plants.

Slower overall growth in potted plant sales stems from competition with cut flowers for the consumer dollar. Typically, strong flower sales tend to moderate the amount consumers spend on potted plants. Moreover, the slight increase expected in potted plant expenditures from last year—2 percent for flowering plants and 1 percent for foliage—reflects grower reluctance to increase production in the face of stagnant or declining prices last year and a market which is already large and adequately supplied.

The rose is still the best selling individual flower, with more than 1.1 billion stems sold last year, about 4 stems per capita. Retail florists report that roses accounted for 17 percent of floral item sales in 1996. Imports supplied 800 million stems, 73 percent of the total. According to the National Promoflor Council, floral arrangements lead in annual sales of fresh cut flowers, with 55 percent, followed by bouquets/bunches (23 percent), single stems (16 percent), loose boxed (3 percent), and corsages, boutonnieres, and unspecified (3 percent).

U.S. consumers will spend almost \$16 billion on floriculture products in 1997, or \$59 per capita, which ranks the U.S. as 12th highest in the world in per capita

expenditures on indoor flowers/plants. Although per capita consumption is less than in other nations, the total U.S. floral market still ranks well ahead, with 1997 sales in Japan, the next-largest market, expected to be about \$9 billion.

On a per capita basis, U.S. consumption of cut flowers/greens and potted plants is well below many other developed countries. Japan, and many European countries, including Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Sweden, and Switzerland, have higher per capita consumption rates for floral and potted crops than the U.S.

But Americans spend a far greater amount on outdoor landscaping plants than do their counterparts in Europe or Asia. While global per capita expenditure estimates for environmental horticulture are not available, industry analysts believe U.S. consumers are spending 2-3 times more on outdoor plants/flowers than consumers in other developed countries. The U.S. is the world's largest producer and market for outdoor landscaping flowers and plants, trees, shrubs, ground covers, turfgrass, and bedding and garden plants. In 1997, U.S. consumers will spend \$37 billion on environmental horticulture products, or about \$138 per capita.

In 1994, when growth in floriculture sales was robust, environmental horticulture sales were lackluster. Higher interest rates slowed housing and business construction and other economic activity that directly impacts the nursery, turfgrass, and landscaping industries.

When economic conditions improved in 1995 and 1996, housing and other construction began to increase again, but sales of environmental horticulture products were slow to recover. Most landscaping is not done until construction is completed, creating a 6-12-month lag in sales of landscaping plants behind construction startups. Negotiation periods for landscaping contracts may also make recovery slower than for floriculture products. By the same token, when the general economy slows significantly, decline in sales of environmental horticulture products will be delayed for at least 3-6 months as landscaping contracts are fulfilled and construction activity winds down.

Sales and shipments of environmental horticulture products may also be affected by weather. Unlike floriculture products, environmental horticulture products are often field-grown, and producers must wait until field/soil conditions are right for removal. In order to react more quickly to market conditions and improve products and operation efficiencies, many nursery crop growers have shifted to producing containerized plant materials that can be relocated to greenhouses and other winter-protected sites and marketed readily at later and more economically beneficial times.

Despite wetter- and/or colder-than-normal production and marketing conditions for the past several years in many areas of the country, the environmental horticulture sector has experienced growth in sales on a par with the general economy. Last year, the sector recorded about 4 percent more in grower sales than in 1995, and 1997 sales are projected to be slightly better. This strong activity in the environmental sector may continue well into 1998.

Opportunities in both the floriculture and environmental horticulture sectors appear excellent in both domestic and international markets for the next several years. The total market in floral and potted plants alone in 23 key countries is predicted to grow from \$46.5 billion in 1995 to \$60.5 billion in the year 2000. Export opportunities appear most promising in countries like Germany, France, the Netherlands, Italy, and Canada. Although the potential is huge in Asia, these markets have not been developed by U.S. green industry exporters.

Product categories with strong export potential include fruit and nut trees; ornamental trees and shrubs including rose plants, azaleas, and rhododendrons; cut flowers; cut greens; flowering potted plants and indoor foliage plants; bulbs; cuttings for propagation; and perennials such as hostas and cacti. Given the strong competition from other countries, U.S. growers must continue to adopt new technologies, produce a wider variety of new crops, and aggressively market their crops through individual and industry promotion efforts in order to continue gains in sales and profits.

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